

House Bill Would Create First Tax Credit for Hybrid Manufacturers

A bill introduced by a House Democrat would for the first time provide tax credits to manufacturers of clean-burning hybrid vehicles in addition to consumers. The sponsor, Rep. Russ Carnahan (MO), says he will soon be circulating a dear-colleague letter and expects his legislation to win broad bipartisan support.

The bill, introduced June 30, comes as legislators go to conference on a comprehensive energy bill and debate whether to include tax credits for consumer purchases of hybrids, which are included in the Senate version of the bill but not in the House version. Also, taxi operators and activists want to add language to the bill that would grant taxi license owners five full years of tax credits for buying hybrid vehicles.

In an interview with Clean Air Report, Carnahan said he decided to introduce H.R. 3152 after the House rejected his amendment to that chamber's version of the energy bill to restore a \$6,000 consumer hybrid purchase tax credit sought by the Bush administration beginning in fiscal year 2006. A House committee originally cut the proposed tax credit as a cost-cutting measure.

Carnahan's bill would provide a credit ranging from \$650 to \$3,400 per vehicle with 65 percent of the amount going to consumers and 35 percent to the manufacturer for vehicles purchased between 2005 and 2009. Currently, there is a \$2,000 tax credit for purchasers, but that expires next year.

He said offering credits to both manufacturers and purchasers of hybrid vehicles makes sense because it will provide dual incentives and help generate the technology's deployment more quickly. Carnahan said he has spoken with manufacturers and the United Autoworkers and has received positive feedback.

Sources with the Alliance for Automobile Manufacturers say they have not taken a position on tax credits for manufacturers but strongly support consumer tax credits for purchase of all types of advanced technology vehicles.

“This is a time of transition with this technology,” Carnahan said in the interview. “It is available, and gas prices are skyrocketing, which makes this more attractive. The environmental and health benefits are phenomenal.” Carnahan said hybrids can cut greenhouse gas (GHG) emissions in half, and remove more than 60 percent of nitrogen oxides and sulfur dioxide. “There are a number of issues this can address long term,” he said. “It is important for our nation’s public policy to incentivize and encourage that.”

The Senate energy bill includes language that authorizes tax credits to purchasers of hybrids, but the House legislation includes no such provision. The Senate bill would provide purchasers with credits of between \$400 and \$2,400 for buying hybrid vehicles. The more fuel economy a hybrid achieves, the greater the amount of the credit. The credits would become effective in the first tax year ending after the eventual enactment date of the energy bill. However, the credits terminate Dec. 31, 2009.

The Senate energy bill also includes language amending the Energy Policy Act of 1992 to provide credits for a few specific fleets such as federal vehicles and those owned by electricity and fuel companies, although those credits would have to be set at a level that the secretary of energy has to determine by January 31, 2007.

“I’m pleased they have a hybrid provision in the energy bill. It shows broad support for the issue even if [the provision] is not identical” to my bill, Carnahan said. He added he would meet with House leadership to discuss scheduling a hearing for his bill, which was referred to the House Ways & Means Committee.

Meanwhile, taxi operators and activists are pushing for language in the conference report of the comprehensive energy bill to secure five full years of tax credits for buying hybrid vehicles, which activists say would encourage the use of hybrid taxis and lead to significant air quality benefits.

Taxi owners want the credits because they will benefit financially, both from receiving the credit and also from operating hybrids, which have greater fuel economy and therefore cost less to run than existing taxis.

Activists want hybrid taxis because they have lower GHG emissions, according to a source with the informal coalition of taxi drivers and environmentalists, organized by the Coalition Advocating Smart Transportation (CAST), which advocates the use of clean technology in vehicles.

The coalition is pushing for the language following its recent lobbying success getting restrictions lifted in New York City that prevented the introduction of hybrid taxis. The rules required taxis to have more legroom than hybrids can offer.

The taxi operators and activists are seeking a definitive five-year period for providing credit to taxi license owners for buying hybrid vehicles, so that regardless of the eventual date of enactment of the energy bill, the operators would get five years of credits.

However, auto industry sources oppose the idea, saying it will do nothing to encourage widespread public interest in purchasing hybrid vehicles. "You need to broaden the acceptance of [hybrid] technology," an auto industry source says, adding, "You're not going to do that by appealing just to taxi drivers."

An increase in hybrid vehicle purchases would provide more revenue to the auto companies, which can use the money to research and develop cheaper hybrid vehicles, a second industry source says. Offering credits to a niche market would not result in such economic stimulation, the source adds.

Proponents of the taxi provision are meeting with Sen. Charles Schumer (D-NY), along with Sen. Jeff Bingaman (D-NM), the ranking Democrat of the Senate Energy & Natural Resources Committee and a member of the House-Senate energy bill conference. The senators' offices did not return calls for comment on whether they support the proposal.

The CAST source says the chances of getting the taxi provision into the final version of the energy bill are "still 50/50." The coalition is pushing for the language after New York City council unanimously passed the Clean Air Taxis Act on June 30. Before the law passed, hybrids could not be used among the mix of the city's fleet of more than 13,000 taxis. The measure says, "Use of alternative fuel vehicles is important to the city's goal of improving air quality and conserving fuel. The use of alternative fuel vehicles is especially appropriate with taxicabs, many of which operate 24 hours per day, spewing an enormous amount of emissions into the air." A copy of the act is available on InsideEPA.com.

An environmentalist says any increase in hybrid use will benefit the environment. Major cities that have thousands of taxis in operation, such as New York and Los Angeles, will see significant air quality benefits as more hybrid taxis come into use, the source believes.